



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

### Testimony Appropriations Committee Insurance Department Budget Presentation February 14, 2017

Committee Chairs, Co-Chairs, Ranking Member, and Members of the Appropriations Committee, the Insurance Department appreciates the opportunity to submit written testimony on the Governor's recommended budget for the Department for the Fiscal Year 2017/2018 and Fiscal Year 2018/2019 Biennium. The Insurance Department's budget represents appropriations from the State's Insurance Fund which is funded through assessments on Connecticut's domestic insurance industry.

The Department's recommended budget reflects cost reductions over the next two fiscal years of \$2,576,294<sup>1</sup> achieved through funding reductions for: vacancies; an Information Technology Contract with UConn; a renegotiated lease, and an additional baseline adjustment that funds indirect overhead. Additionally, \$262,978 is being reallocated in Fiscal Year 2019 for the new Office of Health Strategy.

In all, the Department's budget would be decreased down to \$27.245 million in Fiscal Year 2017/2018 and down to \$26.982 million in Fiscal Year 2018/2019. The proposed budget also includes decreasing the Department's allocated headcount from 159 employees down to 150 over the course of the biennium.

The Insurance Department has full confidence that we will be able to continue to fulfill our core objectives of consumer protection and industry regulation within these appropriations. We anticipate continuing to manage any staffing changes through attrition and by deferring new hiring of open positions.

In the past two years, the Department already has streamlined a number of processes through LEAN strategies to achieve greater efficiency and cost-savings. Specifically, the Department has made significant strides in turnaround times in both the Life & Health (L&H) and the Property & Casualty (P&C) Divisions for reviewing insurance products that insurance companies wanted to market in Connecticut. This has proven both a particularly challenging and critically important enhancement in connection with health insurance products, which require careful vetting by our examiners in order to make sure every product (policies/plans/language) meets all state and federal laws. By instituting LEAN procedures that helped streamline our processes and get just as much work done with fewer staff, we made the following improvement:

- In October 2015, our turnaround time for reviewing such products was an average of **41.39** days.

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<sup>1</sup> The annual cost savings in each year of the biennium are \$1,288,147.

**About the Connecticut Insurance Department:** The mission of the Connecticut Insurance Department is to protect consumers through regulation of the industry, outreach, education and advocacy. The Department recovers an average of more than \$4 million yearly on behalf of consumers and regulates the industry by ensuring carriers adhere to state insurance laws and regulations and are financially solvent to pay claims. The Department's annual budget is funded through assessments from the insurance industry. For every dollar of direct expense, the Department brings in about \$7.45 to the state in revenues. Each year, the Department returns more than \$215 million in assessments, fees and penalties to the state's General Fund.



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- In May 2016, our turnaround time for reviewing products was less than **30 days**.
- The shorter turnaround time means more approved products are out in the market giving consumers more choices and availability of products.
- The efficiencies have allowed us to redeploy some employees to other areas where there was a greater staffing need.

We also have rolled out a new convenient online pay portal for licensing fees and other financial transactions, and this has dramatically reduced inefficient paper processing within the Department. The Licensing Unit has instituted LEAN steps to better serve the nearly 200,000 brokers, agents, adjusters and bail bondsmen and will be launching a cleaner, streamlined Web site just for licensees this spring.

On all of the Department's testimony, our footnote reads that the mission of the Department is the following:

*"...to protect consumers through regulation of the industry, outreach, education and advocacy. The Department recovers an average of more than \$4 million yearly on behalf of consumers and regulates the industry by ensuring carriers adhere to state insurance laws and regulations and are financially solvent to pay claims. The Department's annual budget is funded through assessments from the insurance industry. For every dollar of direct expense, the Department brings in about \$7.45 to the state in revenues. Each year, the Department returns more than \$215 million in assessments, fees and penalties to the state's General Fund."*

Like our sister agencies, the Insurance Department has found ways and means to do more with less and has become more nimble over the past few years. As described above, the upside has been steadily improving efficiency, both in costs per unit and in processing times. It is the Department's intention to continue to fully execute our core mission of providing services that enhance the protection of Connecticut insurance consumers, while holding carriers and brokers/agents to high standards of financial soundness and professional conduct.

Thank you for the opportunity to provide testimony in support of the Governor's proposed budget.

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